



Senate

General Assembly

File No. 677

February Session, 2016

Substitute Senate Bill No. 304

Senate, April 19, 2016

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT INCREASING THE THRESHOLD FOR LEGISLATIVE APPROVAL OF FINANCIAL ASSISTANCE AWARDED BY THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT AND CONNECTICUT INNOVATIONS, INCORPORATED.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (q) of section 32-9t of the 2016 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2016*):

4 (q) (1) Any tax credits approved under this section that would
5 constitute in excess of [twenty] twenty-seven million dollars in total for
6 a single investment shall be submitted by the Commissioner of
7 Economic and Community Development to the joint standing
8 committee of the General Assembly having cognizance of matters
9 relating to finance, revenue and bonding prior to the issuance of a
10 certificate of eligibility for such investment. Said committee shall have
11 thirty days from the date such project is submitted to convene a

12 meeting to recommend approval or disapproval of such investment. If
13 such submittal is withdrawn, altered, amended or otherwise changed,
14 and resubmitted, said committee shall have thirty days from the date
15 of such resubmittal to convene a meeting to recommend approval or
16 disapproval of such investment. If said committee does not act on a
17 submittal or resubmittal, as the case may be, within that time, the
18 investment shall be deemed to be approved by said committee.

19 (2) While the General Assembly is in session, the House of
20 Representatives or the Senate, or both, may meet not later than thirty
21 days following the date said committee makes a recommendation
22 pursuant to subdivision (1) of this subsection. If such submission is not
23 disapproved by the House of Representatives or the Senate, or both,
24 within such time, the commissioner may issue such certificate.

25 (3) While the General Assembly is not in regular session, the House
26 of Representatives or the Senate, or both, may meet not later than
27 thirty days following the date said committee makes a
28 recommendation pursuant to subdivision (1) of this subsection. If such
29 submission is not disapproved by the House of Representatives, the
30 Senate, or both, within such time, the commissioner may issue such
31 certificate.

32 Sec. 2. Section 32-462 of the general statutes is repealed and the
33 following is substituted in lieu thereof (*Effective July 1, 2016*):

34 (a) As used in this section:

35 (1) "Agency" means the Department of Economic and Community
36 Development or Connecticut Innovations, Incorporated.

37 (2) "Financial assistance" means grants, loans, loan guarantees,
38 contracts of insurance, investments, or combinations thereof, which are
39 provided from the proceeds of bonds, notes or other obligations of the
40 state or an agency [which] that constitute a debt or liability of the state
41 or [which] that are secured by a special capital reserve fund payable
42 from amounts appropriated or deemed appropriated from the General

43 Fund.

44 (3) "Applicant" means any eligible applicant seeking financial
45 assistance from an agency for a business project. The term "applicant"
46 shall not include any political subdivision of the state.

47 (4) "Business project" means a business proposal undertaken by one
48 or more applicants, but does not include housing unless undertaken in
49 combination with another unrelated type of business.

50 (5) "Biotechnology business project" means any commercial project
51 to be used or occupied by any person to conduct laboratory activity
52 relating to, or the research, development or manufacture of,
53 biologically active molecules or devices that apply to, affect or analyze
54 biological processes.

55 (b) (1) No agency or agencies may award more than a total of [ten]
56 sixteen million dollars of financial assistance during any two-year
57 period to an applicant or for a business project unless such financial
58 assistance is specifically authorized by an act of the General Assembly.
59 [which has been enacted before, on or after July 1, 1994.] (2) The
60 provisions of subdivision (1) of this subsection shall not apply to any
61 awards funded or to be funded by bonds authorized to be issued by
62 the State Bond Commission before July 1, 1994.

63 (c) Notwithstanding the provisions of subsection (b) of this section,
64 no agency or agencies may award more than [twenty] twenty-seven
65 million dollars of financial assistance for a biotechnology business
66 project during any two-year period unless such financial assistance is
67 specifically authorized by an act of the General Assembly. [which has
68 been enacted before, on or after July 1, 2001.]

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2016	32-9t(q)
Sec. 2	July 1, 2016	32-462

CE *Joint Favorable Subst. C/R*

FIN

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$
Department of Economic & Community Development	GOBonds - Cost	Potential	Potential
CT Innovations Inc. (quasi-public)	CI - Cost	Potential	Potential
Department of Revenue Services	GF - Revenue Loss	None	None

Note: GOBonds=General Obligation Bonds; CI=Connecticut Innovations; GF=General Fund

Municipal Impact: None

Explanation

The bill increases the limits for the amount of economic development assistance that the Department of Economic and Community Development (DECD) and Connecticut Innovations, Inc. (CI) may provide without affirmative legislative approval.

Assuming that any eligible project(s) would receive legislative approval without the proposed change in the bill there is no fiscal impact.

However, if DECD provides assistance to an eligible project(s) that the legislature would otherwise disapprove, there would be a cost to the Manufacturing Assistance Act (MAA) program and a revenue loss in the out years related to Urban and Industrial Site Tax Credits (URA tax credits).^{1,2}

If CI provides assistance to an eligible project(s) that the legislature

¹ As of April 6th, the MAA program has an unallocated bond balance of \$114.3 million.

² The Urban and Industrial Reinvestment Site (URA) tax credit cap is \$950 million, of which \$588 million has been granted as of October 2015.

would otherwise disapprove, there would be a cost to CI. CI is a quasi-public state agency that is financed by loan repayments, investment returns, and fees so any costs would not be realized by the state's funds.

The Out Years

The annualized ongoing fiscal impact identified above to DECD and CI would continue into the future subject to inflation. The timing and amount of the revenue loss associated with the URA tax credits in any given fiscal year is dependent on the date and size of eligible investments made under the program.³

³ URA tax credits are taken over a 10-year period following an investment made in an eligible project, with none granted in each of years one through three, 10% granted in each of years four through seven, and 20% granted in each of the remaining years.

OLR Bill Analysis**sSB 304*****AN ACT INCREASING THE THRESHOLD FOR LEGISLATIVE APPROVAL OF FINANCIAL ASSISTANCE AWARDED BY THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT AND CONNECTICUT INNOVATIONS, INCORPORATED.*****SUMMARY:**

The law requires the Department of Economic and Community Development (DECD) and Connecticut Innovations, Inc. to obtain legislative approval before awarding, to any business in a two-year period, financial assistance that exceeds certain thresholds. The bill raises these thresholds from (1) \$20 million to \$27 million for biotechnology businesses and (2) \$10 million to \$16 million for other businesses.

The bill also increases the investment value threshold, from \$20 million to \$27 million, for which DECD must seek legislative approval before issuing an Urban and Industrial Sites Reinvestment (UISR) tax credit. By law, DECD must submit to the Finance, Revenue and Bonding Committee any tax credits that would exceed the threshold before issuing a certificate of eligibility for an investment.

UISR tax credits are available to businesses investing in projects that will generate enough sales, personal income, and other tax revenue to recoup the foregone business tax revenue. Specifically, the credits are available for (1) remediating and developing contaminated property anywhere in the state and (2) developing property for a wide range of business uses in distressed municipalities, targeted investment communities, or municipalities with a population of over 100,000.

EFFECTIVE DATE: July 1, 2016

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute Change of Reference

Yea 17 Nay 3 (03/15/2016)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 35 Nay 15 (04/07/2016)